

# North Dakota REV-E-NEWS



**Pam Sharp, Director**

**March 2013**

**OFFICE OF MANAGEMENT AND BUDGET  
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## MESSAGE FROM THE DIRECTOR

Moody's Analytics, in its February 2013 *Précis U.S. State* publication, completed its tri-annual analysis of the North Dakota economy. They recognize North Dakota's robust growth and provide an optimistic outlook throughout the forecast period. They note the "North Dakota economy is in a historic expansion thanks to booming energy exploration and is growing faster than any other state in the U.S." They predict continued growth, but at a slightly slower, more sustainable pace.

Not long ago, demographic changes and fewer opportunities for high-paying jobs resulted in a projected continual decline in the state's population. Now, North Dakota holds the remarkable position of fastest growing state in the nation. "The state's booming job market coupled with a relatively limited domestic labor pool will attract a significantly above-average level of immigration throughout the forecast horizon.... Not only did the pace of growth increase in 2012, but ND also retained the mantle of the fastest-growing state, outpacing all other states in the

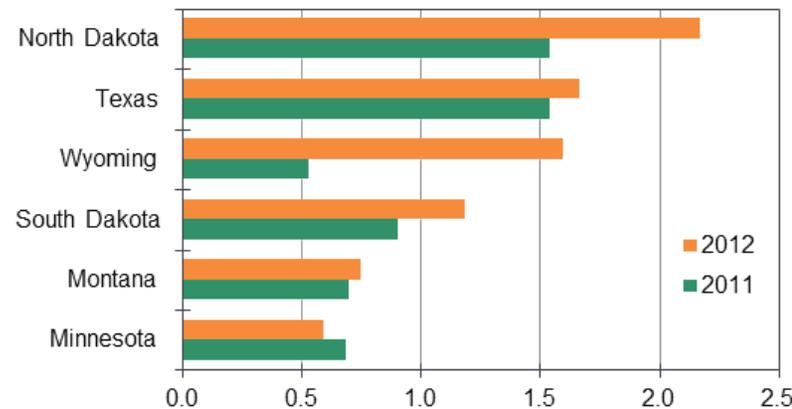
region and even fellow energy powerhouse Texas by considerable margins."

Moody's concludes their review of the North Dakota economy with a positive outlook:

"The North Dakota economy will outperform the nation's for the next several years thanks to its booming energy industry. High prices and new technologies will support oil production, accompanied by growth in auxiliary industries throughout the state."

### Leading the Nation in Population Growth

Population, % change



Sources: Census Bureau, Moody's Analytics

## OIL ACTIVITY



The 2011-13 biennium revised revenue forecast is based on oil production increasing to 830,000 barrels per day by the end of the biennium. North Dakota crude oil prices are forecasted to remain around \$70 per barrel during that time. The current rig count is 187 rigs, 19 fewer than the number operating in the state one year ago. Price, production, and drilling activity are summarized on the following table:

	Jan 2013	Dec 2012	Nov 2012
Actual average price per barrel	\$91.04	\$82.96	\$83.92
Production (barrels/day)	738,000	770,100	735,100
Drilling permits	218	154	211
Producing wells	8,322	8,237	8,101
Rig count	185	183	186

Comments or Questions?  
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**STATEMENT OF GENERAL FUND REVENUES AND FORECASTS**  
**Compared to the Legislative Forecast**  
**2011-13 Biennium**  
**February 2013**

Revenues and Transfers	Fiscal Month				Biennium To Date			
	April 2011 <u>Leg. Forecast</u>	<u>Actual</u>	<u>Variance</u>	<u>Percent</u>	April 2011 <u>Leg. Forecast</u>	<u>Actual</u>	<u>Variance</u>	<u>Percent</u>
Sales Tax	63,411,000	88,929,250	25,518,250	40.2%	1,176,000,000	1,857,191,275	681,191,275	57.9%
Motor Vehicle Excise Tax	6,498,000	9,308,588	2,810,588	43.3%	147,849,000	206,733,201	58,884,201	39.8%
Individual Income Tax	7,835,000	16,387,576	8,552,576	109.2%	425,442,000	721,004,823	295,562,823	69.5%
Corporate Income Tax	1,876,000	4,923,133	3,047,133	162.4%	88,838,000	265,853,996	177,015,996	199.3%
Insurance Premium Tax	4,900,000	4,984,782	84,782	1.7%	51,800,000	56,000,913	4,200,913	8.1%
Financial Institutions Tax	108,000	144,141	36,141	33.5%	2,378,000	3,071,724	693,724	29.2%
Oil & Gas Production Tax*					163,458,104	163,458,104	0	0.0%
Oil Extraction Tax*					136,541,896	136,541,896	0	0.0%
Gaming Tax	555,255	700,527	145,272	26.2%	7,834,755	9,635,931	1,801,176	23.0%
Lottery					5,500,000	7,000,000	1,500,000	27.3%
Cigarette & Tobacco Tax	1,589,000	1,967,822	378,822	23.8%	37,003,000	45,304,478	8,301,478	22.4%
Wholesale Liquor Tax	486,000	649,850	163,850	33.7%	12,411,000	14,618,281	2,207,281	17.8%
Coal Conversion Tax	1,531,000	1,011,274	(519,726)	-33.9%	28,383,000	30,115,850	1,732,850	6.1%
Mineral Leasing Fees	1,416,667	1,829,094	412,427	29.1%	15,583,340	35,157,018	19,573,678	125.6%
Departmental Collections	1,822,552	4,747,359	2,924,807	160.5%	54,863,803	63,319,705	8,455,902	15.4%
Interest Income	1,250,000	338,803	(911,197)	-72.9%	28,547,500	10,157,129	(18,390,371)	-64.4%
State Mill & Elevator-Transfer					3,325,000	3,822,989	497,989	15.0%
Major Special Fund Transfers					600,000,000	600,000,000	0	0.0%
Other Transfers		(2,802)	(2,802)	-100.0%	1,299,375	1,495,560	196,185	15.1%
<b>Total Revenues and Transfers</b>	<b>93,278,474</b>	<b>135,919,396</b>	<b>42,640,922</b>	<b>45.7%</b>	<b>2,987,057,773</b>	<b>4,230,482,871</b>	<b>1,243,425,098</b>	<b>41.6%</b>

\* Oil and gas production and extraction tax collections totaled \$219.4 million in February. The general fund cap of \$300.0 million has been reached and no additional oil taxes will be deposited into the general fund during the 2011-13 biennium. Through February, \$435.4 million has been deposited into the strategic investment and improvements fund. Revenues will continue to be deposited into that fund for the remainder of the biennium. Moneys will also continue to be deposited each month into the legacy fund; through February \$841.8 million has been deposited into that fund.

**STATEMENT OF GENERAL FUND REVENUES AND FORECASTS**  
*Compared to the Previous Biennium Revenues*  
**2011-13 Biennium**  
**February 2013**

Revenues and Transfers	Fiscal Month				Biennium To Date			
	February 2011	February 2013	Variance	Percent	2009-11	2011-13	Variance	Percent
Sales Tax	52,458,283	88,929,250	36,470,967	69.5%	1,031,470,262	1,857,191,275	825,721,013	80.1%
Motor Vehicle Excise Tax	5,640,705	9,308,588	3,667,883	65.0%	98,033,711	206,733,201	108,699,490	110.9%
Individual Income Tax	5,454,817	16,387,576	10,932,759	200.4%	513,072,919	721,004,823	207,931,904	40.5%
Corporate Income Tax	4,949,214	4,923,133	(26,081)	-0.5%	159,135,222	265,853,996	106,718,775	67.1%
Insurance Premium Tax	4,356,784	4,984,782	627,998	14.4%	47,753,187	56,000,913	8,247,725	17.3%
Financial Institutions Tax	34,527	144,141	109,614	317.5%	2,672,224	3,071,724	399,499	15.0%
Oil & Gas Production Tax*					32,718,333	163,458,104	130,739,771	399.6%
Oil Extraction Tax*					38,281,667	136,541,896	98,260,229	256.7%
Gaming Tax	972,692	700,527	(272,165)	-28.0%	13,724,878	9,635,931	(4,088,947)	-29.8%
Lottery					5,100,000	7,000,000	1,900,000	37.3%
Cigarette & Tobacco Tax	1,774,898	1,967,822	192,923	10.9%	38,673,010	45,304,478	6,631,468	17.1%
Wholesale Liquor Tax	482,912	649,850	166,939	34.6%	12,550,507	14,618,281	2,067,774	16.5%
Coal Conversion Tax	1,149,360	1,011,274	(138,086)	-12.0%	31,103,513	30,115,850	(987,663)	-3.2%
Mineral Leasing Fees	2,435,386	1,829,094	(606,292)	-24.9%	15,075,172	35,157,018	20,081,846	133.2%
Departmental Collections	2,023,974	4,747,359	2,723,384	134.6%	57,874,244	63,319,705	5,445,461	9.4%
Interest Income	543,334	338,803	(204,531)	-37.6%	28,340,861	10,157,129	(18,183,732)	-64.2%
State Mill & Elevator-Transfer					6,260,457	3,822,989	(2,437,468)	-38.9%
Major Special Fund Transfers					435,000,000	600,000,000	165,000,000	37.9%
Other Transfers	9,274	(2,802)	(12,077)	-130.2%	2,300,601	1,495,560	(805,041)	-35.0%
<b>Total Revenues and Transfers</b>	<b>82,286,161</b>	<b>135,919,396</b>	<b>53,633,236</b>	<b>65.2%</b>	<b>2,569,140,768</b>	<b>4,230,482,871</b>	<b>1,661,342,103</b>	<b>64.7%</b>

\* Oil and gas production and extraction tax collections totaled \$219.4 million in February. The general fund cap of \$300.0 million has been reached and no additional oil taxes will be deposited into the general fund during the 2011-13 biennium. Through February, \$435.4 million has been deposited into the strategic investment and improvements fund. Revenues will continue to be deposited into that fund for the remainder of the biennium. Moneys will also continue to be deposited each month into the legacy fund; through February \$841.8 million has been deposited into that fund.

## VARIANCES

February 2013 revenues total \$135.9 million, \$42.6 million more than forecasted for the month, based on the original legislative forecast. The biennium-to-date variance is \$1.243 billion, or 41.6 percent. Significant variances are as follows:

- **Sales tax** collections total \$88.9 million in February, \$25.5 million more than the original estimate. The biennium-to-date variance from the original forecast is \$681.2 million, or 57.9 percent. Compared to previous biennium collections through February 2011, sales tax collections this biennium are \$825.7 million, or 80.1 percent, higher.
- **Motor vehicle excise tax** collections exceed the forecast by \$2.8 million for the month. For 2009-11, only 75.0 percent of the tax was allocated to the general fund, but for 2011-13, 100.0 percent of the tax is allocated to the general fund. Adjusting for this change in allocation, 2011-13 collections are \$76.0 million higher. In terms of motor vehicle sales, this equates to an increase in sales of over \$1.5 billion.
- **Individual income tax** collections exceed the monthly forecast by \$8.6 million and are \$295.6 million ahead of the biennium-to-date forecast.
- **Corporate income tax** collections exceed the forecast by \$3.0 million for the month, bringing the biennium-to-date variance to \$177.0 million. Actual collections total \$265.9 million compared to a forecast of only \$88.8 million.
- **Oil and gas taxes** reached the \$300.0 million biennial cap in August 2012. No additional oil taxes will be deposited into the general fund during the 2011-13 biennium.
- **Cigarette and tobacco taxes** continue to exceed the original forecast. February collections were \$378,800 higher than estimated, bringing the biennium-to-date variance to \$8.3 million, or 22.4 percent.
- **Departmental collections** are comprised of various fees and transfers. For the month of February, the variance is primarily attributable to excess telecommunications taxes collected by the Tax Department. The forecast assumed a December transfer to the general fund of \$1.2 million. The actual transfer took place in February and was approximately \$2.6 million.